

Message Text

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20

ACTION EA-14

INFO OCT-01 ISO-00 AGR-20 DRC-01 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15

STR-08 CEA-02 L-03 H-03 PRS-01 /151 W
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P 100345Z SEP 73

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC PRIORITY 7122

INFO AMEMBASSY CANBERRA PRIORITY

UNCLAS WELLINGTON 2403

E.O. 11652 N/A

TAGS: ECON, EFIN, ETRD, NZ

SUBJ: NZ REVALUES DOLLAR 10 PER CENT

REF: A. WELLINGTON 2112

B. WELLINGTON 1754

C. WELLINGTON 2335

1. SUMMARY: SEPT 9 NZ PRIME MINISTER ANNOUNCED
REVALUATION NZ DOLLAR OF 10 PER CENT EFFECTIVE IMMEDIATELY
AS A PART OF SEVERAL MEASURES, PRINCIPALLY IN THE INTER-
NATIONAL TRADE FIELD, AIMED AT "INSULATING NZ ECONOMY
FROM EFFECTS OF OVERSEAS INFLATION". THE ANNOUNCEMENT
CAME AT END OF THE 30 DAY PRICE FREEZE. END SUMMARY.

2. AS FOLLOW-UP TO THE ACTION GNZ TOOK ON AUGUST 10
TO PUT A CEILING ON WAGE INCREASES AND TO FREEZE PRICES
(REFTEL A), THE PRIME MINISTER, MR. KIRK, IN AN
UNSCHEDULED NEWS CONFERENCE ON SUNDAY EVENING
ANNOUNCED THAT THE NZ DOLLAR WAS BEING REVALUED 10
PER CENT EFFECTIVE IMMEDIATELY. THE AVERAGED "NEAR-
FLOAT" RELATIONSHIP TO CURRENCIES OF NZ'S MAJOR
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TRADING PARTNERS (REFTEL B) WERE CONTINUED. ALSO

SEE PARA 12 OF REFTTEL C.

3. THE PRIME MINISTER ALSO ANNOUNCED A BAN ON HOGGET AND WETHER EXPORTS TO IMPROVE SUPPLY AND HOLD DOWN PRICES UNTIL THE NEXT KILLING SEASON STARTING ABOUT TWO MONTHS HENCE. AFTER NOVEMBER 1 INCOME FROM MEAT EXPORTS VALUED ABOVE A CERTAIN PRICE WILL BE DIVERTED TO A STABILIZATION FUND, DOMESTIC PRICES FOR MEAT WILL NOT BE ALLOWED TO RISE ABOVE A CERTAIN POINT. FISH EXPORTS WILL BE LIMITED. MEAT MEAL AND TALLOW EXPORTS ARE TO BE CONTROLLED AND THEIR DOMESTIC PRICE LOWERED AND BROUGHT UNDER PRICE CONTROL.

4. ADDITIONAL IMPORT LICENSES WORTH \$NZ 70 MILLION WILL BE GRANTED FOR CONSUMER GOODS AND MATERIALS IN SHORT SUPPLY AND ADDITIONAL LICENSES MAY BE GRANTED IF NECESSARY. EXTRA LICENSES FOR CAPITAL EQUIPMENT MAY BE GIVEN.

5. LICENSING OF AUTO IMPORTS ARE FURTHER LIBERALIZED. TRADITIONAL IMPORTERS OF ASSEMBLED CARS WILL GET A 50 PER CENT INCREASE ABOVE THEIR BASIC ALLOCATION AND ASSEMBLERS CAN APPLY FOR EXTRA LICENSES FOR ASSEMBLED CARS TO MEET THEIR DEMAND.

6. THERE HAS BEEN MIXED REACTION AND GENERALLY CAUTIOUS COMMENT SO FAR ON THE NEW MEASURES. AS COULD BE EXPECTED THE LEADERS OF THE NATIONAL (OPPOSITION) PARTY WERE MOST CRITICAL, CLAIMING "EXTREME MEASURES" WERE TAKEN BECAUSE GNZ HAD LET INFLATION GET OUT OF HAND. IN A STATEMENT BY THE NATIONAL PARTY LEADER HE POINTS OUT THAT EXPORTERS EARNINGS WILL BE REDUCED AND CLAIMS REVALUATION IS RISKY GIVEN "NOTORIOUSLY UNCERTAIN" PRICES FOR PRIMARY PRODUCE. IT WILL BE A SET BACK FOR EXPORTERS OF MANUFACTURED GOODS. RELAXING OF IMPORT LICENSING IS OVERDUE AND EXPORT EMBARGO ON MUTTON, IF U.S.M EXPERIENCE IS A GUIDE, WILL RESULT IN SHEEP BEING HELD ON FARM CREATING SHORTAGE OF MEAT ON THE LOCAL MARKET.

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7. FARMING GROUPS WHICH WILL INITIALLY FEEL EFFECT MOST ARE ALSO CRITICIZING THESE MEASURES MANUFACTURING SECTOR REACTION, THOUGH CRITICAL OF EFFECT ON MANUFACTURED EXPORTS, IS FAIRLY MILD. LABOR LEADERS CALLED FOR FIRMER MEASURES ALSO ON HLCE, PROFIT AND RENT CONTROL. BUSINESS SECTOR GENERALLY MORE FAVORABLE.

7. EMBASSY ASSESSMENT OF LIKELY EFFECT ON INFLATION

AND TRADE WILL FOLLOW.
WOOD

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